

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 CIAE-00 PM-05 INR-10 L-03
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OMB-01 H-01 EB-08 /092 W
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R 031743Z AUG 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0843
INFO SECDEF WASHDC
JCS WASHDC
USMISSION USNATO
AMEMBASSY TOKYO
USNMR SHAPE
USCINCEUR VAIHINGEN GE
CINC USAREUR HEIDELBERG
CINC USAFE RAMSTEIN

C O N F I D E N T I A L SECTION 01 OF 03 BONN 14197

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E.O. 11652: XGDS-3
TAGS: MPOL, MILI, GW, US
SUBJECT: ALLIED DEFENSE CONTRIBUTIONS (GERMANY)

REFS: (A) BONN 6103 DTG 051244Z APR 78
(B) STATE 77837 DTG 250235Z MAR 78

BEGIN SUMMARY: IN RESPONSE TO THE REQUEST IN REF B,
THIS CABLE FORWARDS AN ASSESSMENT OF SPECIFIC MEASURES
BEING TAKEN BY THE GERMAN GOVERNMENT TO PROVIDE
ECONOMIC SUPPORT FOR US FORCES IN GERMANY. END
SUMMARY.

1. THE FOLLOWING IS A RESPONSE TO THE REQUEST IN
REF B FOR AN ASSESSMENT OF GERMAN ECONOMIC SUPPORT
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FOR US FORCES IN GERMANY. THIS ASSESSMENT WAS PRE-
PARED BY EUCOM AND HAS THE GENERAL CONCURRENCE OF
THE EMBASSY. HOWEVER, IN OUR VIEW, EUCOM'S FIGURE
(\$1.13 BILLION) FOR THE RENTAL VALUE OF THE REAL
ESTATE MADE AVAILABLE TO US FORCES RENT FREE MAY BE
HIGH. LIKE ANY ESTIMATE IT INVOLVES JUDGEMENTAL
FACTORS, AND WE BELIEVE THAT A SIGNIFICANTLY LOWER

FIGURE COULD BE LOGICALLY DEFENDED. THIS CAVEAT SHOULD BE KEPT VERY MUCH IN MIND IN CONNECTION WITH ANY USE WHICH MAY BE MADE OF THIS FIGURE.

BEGIN TEXT OF EUCOM ASSESSMENT:

QUANTIFIABLE DIRECT AND INDIRECT EXPENDITURES BY THE FRG IN SUPPORT OF US FORCES:

- A. CONSTRUCTION/REAL ESTATE:

(1) THE FRG PROVIDES A SIGNIFICANT QUANTITY OF REAL ESTATE (MILITARY INSTALLATIONS, TRAINING AREAS, ETC.) TO THE USG ON A RENT FREE BASIS. A ROUGH, GLOBAL ESTIMATE OF THE PER ANNUM RENTAL VALUE OF REAL ESTATE PROVIDED IS \$1.13 BILLION. (INDIRECT).

(2) THE US IS TAX EXEMPT FOR LEASE-CONSTRUCTED US HOUSING UNITS CONSTRUCTED BY GERMAN NATIONALS. FOR THE CURRENT 700 UNITS THAT WILL BE CONSTRUCTED AT A LEASE COST OF 100 MILLION DM OVER A PERIOD OF TEN YEARS, THE SAVINGS TO THE US IN REDUCED LEASE COST WILL BE OVER 10 MILLION DM (\$4.35 MILLION AT 2.30 DM/DOLLAR); OR APPROXIMATELY \$435,000 PER ANNUM. (INDIRECT).

- B. EXEMPTION FROM TAX, CUSTOMS, FEES, ETC:

US FORCES ARE ALLOWED TO BRING INTO THE FRG, FREE FROM CUSTOMS, ITEMS SUCH AS SUPPLIES, POL, SUBSISTENCE, VEHICLES, EQUIPMENT, ETC. WHICH ARE REQUIRED IN THEIR CONFIDENTIAL

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DAILY OPERATIONS. ADDITIONALLY, US FORCES PROCURE A SIGNIFICANT DOLLAR AMOUNT OF MATERIAL IN THE FRG ON WHICH VALUE ADDED TAX IS NOT PAID. THE RESULTING YEARLY SAVINGS TO USG IS ESTIMATED IN EXCESS OF \$51 MILLION. (INDIRECT).

.. C. OTHER SERVICES:

(1) DURING EXERCISES REFORGER 77 AND ARROW EXPRESS, THE FRG PROVIDED WITHOUT COST C-160 AIRLIFT FOR US PERSONNEL AND EQUIPMENT. THE FRG WILL AID REFORGER 78 WITH 50 AIRLIFT SUPPORT MISSIONS FOR US PERSONNEL AND EQUIPMENT AT A SAVINGS TO USEUCOM EXERCISE FUNDS OF \$150,000. (INDIRECT).

- (2) DIRECT EXPENDITURES WHICH ARE NOT COVERED ELSEWHERE BUT WHICH ARE MADE BY THE FRG IN SUPPORT OF STATIONED US FORCES IN THE FRG WERE DM106.8 MILLION FOR CY 76 (LATEST DATA AVAILABLE). AN ADDITIONAL DM10.8 MILLION WAS EXPENDED BY GERMAN STATE (LAND) GOVERNMENTS DURING CY 76 IN SUPPORT OF US FORCES. THESE EXPENDITURES BY BOTH THE FRG AND THE STATES COVERED ITEMS SUCH AS THE FOLLOWING AND TOTAL \$51,126,000 (DM2.30/DOLLAR). (DIRECT).

(A) ADMINISTRATION OF REAL ESTATE

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BUILDINGS;

(B) MAINTENANCE OF REAL ESTATE AND

BUILDINGS;

(C) COSTS FOR DEVELOPMENT OF FEDERALLY-
OWNED REAL ESTATE;

(D) PURCHASE OF REAL ESTATE;

(E) REIMBURSEMENT OF COSTS FOR DAMAGES
CAUSED BY US FORCES;

(F) SECURING OF MILITARY FACILITIES;

(G) COST FOR THE INTENSIFIED CONSTRUC-
TION OF ROADS IN CONNECTION WITH US TRAFFIC.

(3) THE FRG PROVIDES BOTH AIK AND CONTRIBUTED
CURRENCY TO THE ODC. THE AIK CONSISTS OF PASSENGER
SPACE ON GERMAN AIRCRAFT FLYING TO THE U.S. AND AMOUNTS
TO \$6,200 IN FY 1978. THE CONTRIBUTED CURRENCY IS
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\$538,000 FOR FY 1978 (\$6200 INDIRECT/\$538,000 DIRECT).

D. BERLIN OCCUPATION COSTS:

BECAUSE OF THE SPECIAL POLITICAL SITUATION OF BERLIN,
FRG ECONOMIC SUPPORT OF THE US PRESENCE THERE SERVES
POLITICAL GOALS WHICH GO BEYOND MILITARY DEFENSE.
WITH THIS CAVEAT IN MIND, THE FY 78 OCCUPATION COSTS
PAID BY THE FRG FOR US FORCES IN BERLIN ARE GIVEN BELOW:

BERLIN BRIGADE	DM 300,432,700
TEMPELHOF AIRPORT	DM 51,261,800
BERLIN AERONAUTICAL UNIT,	
TEMPELHOF AIRPORT	DM 13,739,978
US NAVY	DM 480,100
TOTAL:	DM 365,914,578 (DIRECT)
\$159,093,294 (DM2.30/DOLLAR) (DIRECT)	

E. RECAPITULATION OF QUANTIFIABLE ECONOMIC
CONTRIBUTIONS (FOR 12 MONTH PERIOD):

	DIRECT	INDIRECT
FRG (LESS BERLIN)	\$ 51,664,000	\$1,181,591,200
BERLIN	\$ 159,093,294	-0-
TOTAL	\$ 210,757,294	\$1,181,591,200
GRAND TOTAL:	\$1,392,348,494	

NON-QUANTIFIABLE ECONOMIC SUPPORT PROVIDED BY THE FRG
IN SUPPORT OF US FORCES:

A. CONSTRUCTION/REAL ESTATE:

STARTING IN FY 72, THE FRG PROVIDED DM1.2 BILLION FOR
IMPROVEMENTS TO BACHELOR QUARTERS, DINING HALLS, AND
OTHER US USER FACILITIES. AN ADDITIONAL DM170 MILLION
WAS PROVIDED FOR NORTHAG BEDDOWN CONSTRUCTION. OF THE
TOTAL DM 1.37 BILLION, ALL BUT 100 MILLION HAS BEEN
OBLIGATED. WHILE THIS OFFSET PROGRAM WILL NOT BE
CONTINUED, US FORCES HAVE BENEFITED IN A MAJOR WAY
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FROM PAST FRG CONTRIBUTIONS.

B. LOCAL LABOR:

US FORCES RECEIVE LIMITED ENGINEERING, TRANSPORTATION
AND OTHER ASSOCIATED SUPPORT AT KALKAR AND HESSISCH-
OLDENDORF FROM THE STANDORTVERWALTUNG, THE GERMAN
CIVILIAN SUPPORT AGENCY. ALTHOUGH THE FRG IS REIM-
BURSED FOR THESE SERVICES, THEY COST LESS THAN
EQUIVALENT SERVICES PROVIDED BY US MILITARY OR
DOD CIVILIANS.

C. EXEMPTIONS FROM TAX, CUSTOMS, FEES, ETC:

IN GENERAL, US FORCES ARE EXEMPT FROM TAX, VALUE

ADDED TAX, CUSTOMS AND AIRCRAFT LANDING FEES. WHILE
QUANTIFICATION OF THE VALUE TO USG OF THESE EXEMPTIONS
IS NOT AVAILABLE, THE FOLLOWING GIVES AN INDICATION OF

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THE OVERALL BENEFIT:

(L) POST/BASE EXCHANGES, COMMISSARIES AND
CLASS VI STORES: SALES OF \$105.9 MILLION IN 12 MONTH
PERIOD REPRESENTS ITEMS OF WHICH NEITHER CUSTOMS
FEES NOR VALUE ADDED TAX WERE LEVIED.

(2) LANDING FEES: US FORCES ARE EXEMPT FROM
PAYING LANDING FEES FOR AIRCRAFT THAT LAND AT A FACIL-
ITY LEASED FROM THE FRG.

(3) OTHER CONSIDERATIONS: US FORCES ARE
ALLOWED TO IMPORT INTO THE FRG THEIR POVS AND HHGS
WITHOUT BEING SUBJECT TO CUSTOM DUTIES.

D. OTHER SERVICES:

US FORCES WOULD BENEFIT FROM THE SURFACE TRANSPORTATION
PROVIDED BY THE FRG IN WARTIME. UNDER THE

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TRANSPORTATION PORTION OF THE WARTIME MOVEMENTS PROGRAM,
GERMAN TRAINS AND TRUCKING FIRMS ARE PRE-DIRECTED UNDER
A PLAN TO MOVE US MUNITIONS FROM STORAGE TO THE USER
BASES. A BENEFIT TO US FORCES IS REALIZED BY AVOIDING
THE COSTS OF PURCHASING, STOCKPILING, AND MANNING
VEHICLES AND TRAINS.

END TEXT OF EUCOM ASSESSMENT. MEEHAN

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